



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- 93705; File No. SR-ICC-2021-021]

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the Counterparty Monitoring Procedures and the Credit Rating System Model Description and Parameterization

December 2, 2021.

I. Introduction

On October 13, 2021, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4,² a proposed rule change to adopt the ICC Counterparty Monitoring Procedures (the “Procedures”) and the ICC Credit Rating System Model Description and Parameterization (the “CRS Policy”). The proposed rule change was published for comment in the Federal Register on November 1, 2021.³ The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

A. Introduction

The new Procedures would describe ICC’s policies and practices for monitoring its counterparties, specifically its Clearing Participants and the entities to which ICC has actual or

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Counterparty Monitoring Procedures and the Credit Rating System Model Description and Parameterization; Exchange Act Release No. 34-93429 (Oct. 26, 2021); 86 Fed. Reg. 60305 (Nov. 1, 2021) (SR-ICC-2021-021) (“Notice”).

potential credit exposure, such as settlement banks and custodians (collectively, “Financial Service Providers” or “FSPs”).⁴ The new CRS Policy would describe ICC’s Credit Rating System (“CRS”), which ICC uses to analyze the risks associated with counterparties.

B. Procedures

The new Procedures would be a consolidation of two existing ICC procedures with respect to counterparty credit risk -- the ICC CDS Clearing Counterparty Monitoring Procedures: Bank Counterparties (“Bank CMPs”) and the ICC CDS Clearing Counterparty Monitoring Procedures: FCM Counterparties (“FCM CMPs”). Although the new Procedures would be substantially the same as these two existing policies, the Procedures would contain some changes from the existing policies, as further described below.

The Procedures would consist of eleven sections, each of which is described below: (i) introduction and overview; (ii) roles and responsibilities; (iii) standards for counterparty relationships; (iv) monitoring scope and procedures; (v) counterparty credit rating system; (vi) watch list criteria; (vii) actions available to the clearing house; (viii) information privacy; (ix) record keeping; (x) referenced documentation; (xi) revision history.

Section one would provide an introduction to, and overview of, the Procedures. This section would note that the performance of ICC depends on the financial stability of its Clearing Participants and FSPs, and accordingly, ICC monitors its relationships with such counterparties. Section one would note further that a variety of entities could be Clearing Participants and FSPs, such as broker-dealers and futures commission merchants in the case of Clearing Participants, and settlement banks and repo counterparties in the case of FSPs. Using the CRS, ICC would rate its counterparties and identify counterparties that exhibit inconsistent financial and operational performance, or that show signs of weakness and require more intensive

⁴ Capitalized terms not otherwise defined herein have the meanings assigned to them in the Procedures, the CRS Policy, or the ICE Clear Credit Rules, as applicable.

examination. Section one of the new Procedures would be largely the same as the introductory sections of the Bank CMPs and FCM CMPs.

Section two would describe the roles and responsibilities of ICC personnel and committees. With respect to the counterparties themselves, the Procedures would note that Clearing Participants and FSPs are responsible for providing information requested by ICC, and that Clearing Participants in particular must comply with the qualifications and requirements set out in the ICC Rules. With respect to ICC, the Risk Department would monitor all counterparties intra-day, daily, and monthly and would implement the CRS. The Risk Department also would present information regarding counterparties to the Participant Review Committee and the Credit Review Subcommittee. The Participant Review Committee would be responsible for (i) reviewing applications for membership at ICC; (ii) monitoring ongoing compliance with ICC membership requirements (including financial, operational, legal, and compliance requirements); (iii) overseeing the due diligence and approval of FSPs; (iv) recommending to the ICC Chief Risk Officer (“CRO”) a counterparty for suspension/termination or for placement on or removal from the Watch List; and (v) overseeing the withdrawal process for Clearing Participants and FSPs. The Credit Review Subcommittee of the Participant Review Committee would assist in carrying out these responsibilities, review reports, and present recommendations to the Participant Review Committee or CRO. The CRO would be responsible for reviewing and validating the Risk Department’s counterparty credit findings and recommendations and for determining if a counterparty should be added to, or removed from, the Watch List. Finally, the Operations Department would be responsible for monitoring the operational and settlement process performance of all counterparties, and the Treasury Department would be responsible for monitoring the money movements between Clearing Participants and ICC. The information in Section two of the new Procedures would be largely the same as what is currently found in the Bank CMPs and FCM CMPs, with a few changes. For example, under the new Procedures, the Participant Review Committee would be responsible for overseeing the due diligence and

approval of FSPs, while this responsibility is not explicitly assigned under the current Bank CMPs and FCM CMPs. Moreover, the new Procedures would assign responsibility for implementing the CRS explicitly to the Risk Department.

Section three would describe the minimum standards applicable to counterparties as well as the onboarding and withdrawal of counterparties. The Procedures would note that the minimum standards for Clearing Participants are found in Chapter 2 of the ICC Rules, as well as certain other ICC policies and procedures. With respect to FSPs, the Procedures would explain that all FSPs must meet the following minimum requirements: (i) approval by the Participant Review Committee; (ii) satisfaction of all the operational requirements of the ICC Treasury Department; and (iii) subject to regulation and supervision by a competent authority. Section three also would note that the onboarding and withdrawal process is found in certain other ICC policies and procedures and would describe the responsibilities of the Risk Department and Participant Review Committee with respect to onboarding and withdrawal of FSPs. Specifically, for FSPs the Risk Department would: (i) collect all relevant financial and market information necessary to compute credit scores; (ii) require the potential new FSP to complete the risk review questionnaire; (iii) present the completed risk review questionnaire including the final credit score to the Credit Review Subcommittee and Participant Review Committee; and (iv) obtain approval from the Participant Review Committee for the new FSP. With respect to the withdrawal of FSPs, the Participant Review Committee would: (i) obtain written confirmation from the ICC Treasury Department that all exposures to the FSP have been closed out and (ii) obtain written confirmation from the ICC Legal Department that all legal agreements with the FSP have been terminated. Section three would be a new section under the Procedures.

Section four of the Procedures would describe how ICC monitors counterparties. Section four would first describe what ICC monitors counterparties for -- financial stability, creditworthiness, operational capability, and competence. Section four also would note that the financial stability elements of such monitoring are set out in ICC Rule 201. Section four would

note further that in addition to those financial elements, ICC would monitor Clearing Participants for: (i) material breach of the rules or regulations of any regulatory, self-regulatory, or other entity to which the Clearing Participant is subject; (ii) participation in the End of Day price discovery process; (iii) participation in disaster recovery and default management simulations. Moreover, specific to FSPs, ICC also would review their liquidity and cash management.

ICC would conduct this monitoring intra-day and daily, monthly, and periodically as needed. With respect to intra-day and daily monitoring, the ICC Risk Department would, among other things, (i) monitor the Risk Filter Threshold, meaning the intraday risk associated with incoming real-time position changes to a portfolio that may require pre-funding; (ii) review end-of-day changes to Initial Margin and Guaranty Fund requirements; and (iii) monitor the daily news and market metrics for Clearing Participants and FSPs. The Risk Department would escalate to the Chief Risk Officer any issues identified during the intra-day and daily monitoring.

For monthly monitoring, the Risk Department would prepare a credit report on the financial condition of all counterparties. The Chief Risk Officer and the Credit Review Subcommittee would each review the report. The report would include, among other things, information on the exposure of ICC to counterparties and the watch list. Monthly monitoring also would include, among other things, review of ICC's overall exposure to each Clearing Participant and FSP and their credit scores and review of investment allocation for investment counterparties. The Risk Department would escalate to the Chief Risk Officer any issues identified during the monthly monitoring.

As part of this intra-day, daily, and monthly monitoring, ICC would monitor its aggregate exposure to counterparties. This aggregate exposure would include all exposure ICC has to an entity and its affiliates, including exposure resulting from multiple relationships with an entity (such as a Clearing Participant that is also a FSP). ICC would manage its exposures to FSPs using investment allocations and its exposures to Clearing Participants using Risk Filter Threshold ("RFT") allocations. Investment allocations would be the limit established by the Risk

Department for each FSP. The Risk Department would review the investment allocations annually, or more frequently as needed (such as when a FSP is placed on the watch list). The Risk Department would review RFT allocations monthly, or more frequently as needed (such as when a Clearing Participant is placed on the watch list).

In addition to intra-day, daily, and monthly monitoring, ICC also would conduct periodic risk reviews of counterparties. ICC would conduct an initial risk review of all counterparties as part of the onboarding process for new counterparties. After the initial risk review, the Risk Department would periodically update and amend any relevant information related to the review. Section four of the Procedures would describe this update process as a Periodic Risk Review, and the Risk Department would complete a Periodic Risk Review for each counterparty within a four-year timeframe. The Periodic Risk Review would be specific to the type of counterparty, Clearing Participant or FSP, and with respect to FSPs, specific to the service provided by the FSP. Section four of the Procedures would describe the process for completing a Periodic Risk Review, which would include, among other steps, sending a questionnaire to the counterparty and reviewing the information provided by the counterparty. A Periodic Risk Review could result in: (i) a satisfactory finding, meaning the counterparty has the process and procedures in place to provide reasonable assurance that the counterparty will be able to perform as required under the counterparty contractual obligations, or (ii) an unsatisfactory finding, meaning the counterparty does not have the process and procedures in place to provide reasonable assurance that it will be able to perform as required under the contractual obligations. Finally, ICC could perform more frequent Periodic Risk Reviews where: (i) the latest Periodic Risk Review was considered unsatisfactory or (ii) the counterparty was recently placed on the highest watch list level.

The information in section four of the new Procedures would be substantively the same as the information currently found in the Bank CMPs and FCM CMPs, with additional detail. For example, the details regarding the monitoring of the RFT threshold consumption and the

description of how issues are escalated and resulting actions are documented, would be new, but ICC represents these would not be a material change to current ICC practice.⁵ The description of ICC's monitoring and management of aggregate exposure to entities with which ICC maintains multiple counterparty relationships, the procedures associated with FSP investment allocation and RFT limits, and the description of the periodic risk reviews also would be new, additional details versus the current Bank CMPs and FCM CMPs.⁶ The current Bank CMPs and FCM CMPs contain a list of general information maintained for each counterparty, and while ICC still maintains this information, the new Procedures describe the responsibilities associated with maintaining this information rather than listing all of the information.⁷ Moreover, the current Bank CMPs and FCM CMPs contain a description of annual monitoring, and this annual monitoring would be part of the monthly monitoring under the new Procedures.⁸

Section five would provide a summary description of ICC's CRS. The CRS Policy, as described below, would provide the specific details with respect to the CRS. Section five of the new Procedures would be largely the same as the corresponding sections of the Bank CMPs and FCM CMPs.

Section six would describe ICC's watch list. The watch list is a list of counterparties that could pose additional risk to ICC; thus, it is a tool that ICC uses to separate counterparties that pose a greater risk than others. ICC would automatically place counterparties on the watch list if they have certain credit scores under the CRS. Moreover, ICC would consider certain qualitative factors for placing counterparties on the watch list, such as decreasing levels of capitalization. Except for automatic placements resulting from certain credit scores under the CRS, the Chief

⁵ Notice, 86 Fed. Reg. at 60307.

⁶ Notice, 86 Fed. Reg. at 60307.

⁷ Notice, 86 Fed. Reg. at 60307.

⁸ Notice, 86 Fed. Reg. at 60307.

Risk Officer would determine whether to add a counterparty to the watch list. The Chief Risk Officer also would determine whether to remove a counterparty from the watch list, but counterparties would need to have a stable credit score below 3.0 for at least three months to be removed from the watch list. The information in this section would be largely the same as the corresponding sections of the Bank CMPs and FCM CMPs, except that the new Procedures would provide additional information about automatic placement on the watch list.

Section seven would describe the actions that ICC could take for counterparties placed on the watch list. As an initial matter, the Chief Risk Officer would review ICC's exposure relative to the counterparty's risk profile to determine if any action is necessary. With respect to a Clearing Participant, the Chief Risk Officer would review the Clearing Participant's net positions, collateral held, market movements and magnitude of the Clearing Participant in the relevant marketplace. The Risk Department would contact the counterparty to discuss the activity that raised the concern. The Chief Risk Officer would document the details, rationale, and criteria used in determining the actions taken against the CP, and present this documentation to the Credit Review Subcommittee. With respect to FSPs, concerns would be escalated to the ICC Senior Management, who would evaluate the issues and determine what, if any, additional actions should be taken. Among other actions, the Chief Risk Officer could determine to increase initial margin requirements, reduce a Clearing Participant's positions, or terminate a relationship with a FSP. The information in this section would be largely the same as the corresponding sections of the Bank CMPs and FCM CMPs.

Section eight would describe how ICC maintains the confidentiality and privacy of credit scores and other information related to counterparties. This would be a new section under the Procedures.

Section nine would summarize how ICC maintains the documents, reports, and other records required under the Procedures, in accordance with its overall document retention policy. This would be a new section under the Procedures.

Section ten would provide a list of other ICC documentation referenced by the Procedures. This would be a new section under the Procedures.

Finally, section eleven would describe the revision history of the Procedures. This would be a new section under the Procedures.

C. CRS Policy

The CRS Policy would describe ICC's CRS. The CRS Policy would consist of nine sections, each of which is described below: (i) executive summary; (ii) credit rating system scope; (iii) model foundations and approach; (iv) model specification; (v) credit rating system data description; (vi) model performance testing; (vii) assessment of assumptions and limitations; (viii) bibliography and appendices; (ix) revision history.

Like the new Procedures, the CRS Policy would incorporate certain sections from the Bank CMPs and FCM CMPs. These sections would include information on internal ratings, data sources, and the CRS model. While the CRS Policy would take the same approach as currently found in the Bank CMPs and FCM CMPs, the CRS Policy would contain additional detail with respect to: (i) ICC's credit scoring approach in section one; (ii) model foundations and selection of credit risk factors and metrics in section three; (iii) testing of the weights between metrics and model performance testing in sections four and six; (iv) data sources and data quality in section five; and (v) assumptions and limitations of the CRS in section seven.⁹

The first section would summarize the CRS, including its purpose, assumptions, and limitations. As mentioned above, ICC uses the CRS to analyze the risks associated with counterparties. The CRS would do so by estimating a credit score for each counterparty. The credit score would range from one to five, with one being the best and five being the worst. Credit scores themselves would be a weighted combination of scores under seven individual credit risk factors. As would be noted, credit scores would not be intended to estimate

⁹ Notice, 86 Fed. Reg. at 60307.

probabilities of default or forecast counterparty defaults and would depend on the quality and stability of the input data used to compute the credit scores.

The second section would describe the scope of the CRS. The CRS would consist of two credit scoring models: (i) one for counterparties that are banks and investment subsidiaries engaged in the business of buying and selling securities and other financial products as well as custodian and depository services, including Self-Clearing Members, which do not solicit or accept orders from customers; (ii) and another for Clearing Participants that solicit or accept orders from customers. Each credit scoring model would consist of seven credit risk factors, with a different percentage weight assigned to each credit risk factor under the two different models. Moreover, section two would describe the interpretation of credit scores, ranging from one to five, and would summarize the data required to compute the credit scores. Finally, section two would describe where the CRS fits in ICC's technology structure.

Section three would describe the foundations and approach of the CRS model, which, as discussed, consistent of seven credit risk factors. The credit risk factors would be divided into financial and market metrics. Financial metrics would provide a point-in-time view of the state of the company, while market metrics would be used to capture frequent changes in the market sentiment of the companies facing ICC. Section three would include descriptions of the credit risk factors. For each credit risk factor, section three would specify corresponding metrics, relevant definitions, formulas, applicability based on type of counterparty, and key regulatory requirements, among other information. The CRS also would consider a qualitative assessment, which allows flexibility to incorporate additional information (e.g., business risk, litigation risk, management actions) regarding the counterparty into the credit score, and provides a range of possible qualitative assessment scores and qualitative assessment score interpretations. Furthermore, section three would explain that ICC could use other data as a proxy for certain financial metrics that some counterparties may not report.

Section four would detail the specifications of the CRS model, including the calibration of model weights and parameterization. Each credit risk factor would receive its own credit risk factor-specific weight. Section four would note how credit risk factor weights are determined and would discuss the testing of the weights between the financial and market metrics to measure the effectiveness of the scoring model in identifying early signs of weakness. Section four also would discuss metric parameterization for each credit risk factor and would describe, among other things, input values, metric descriptions, graphical representations, assumptions, parameter sets, and calibrated values.

Section five would describe the data that the CRS would use to calculate credit scores. This section also would describe the sources for that data, and how ICC would ensure the adequacy of the data and the remediation of any inconsistencies. Section five also would describe how ICC adjusts and reallocates component weights based on the availability of data.

Section six would describe how ICC tests the performance of the CRS model. ICC would review the credit risk factors, corresponding metrics, and parameterization at least once a year to assess the model's discriminative power. This assessment would include reviewing the historical performance of the model.

Section seven would describe the assumptions and limitations of the CRS. Among other things, section seven would note that credit scores would not represent a probability of default or forecast company defaults and further that the CRS assumes that market data upon which scores are based is reliable and is representative of the current market conditions.

Section eight would contain a list of references and section nine would describe the revision history of the CRS Policy.

Finally, there would be four appendices to the CRS Policy, which would include other relevant information for the CRS, such as a list of systemically important financial institutions.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.¹⁰ For the reasons discussed below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act,¹¹ and Rules 17Ad-22(e)(2)(v) and (e)(3)(i).¹²

A. Consistency with Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as well as to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible.¹³

The Commission believes that taken together, the Procedures and CRS Policy would help ICC to manage the risk arising from its exposures to counterparties. For example, the Commission believes that the Procedures would help to ensure that ICC personnel are engaged in reviewing and limiting ICC's exposure to counterparties, by making various ICC personnel responsible for rating and monitoring counterparties, and for taking mitigating actions as needed. Moreover, the Commission believes that the minimum standards for counterparties, such as being subject to regulation and supervision by a competent authority, would help to ensure that all Clearing Participants and FSPs have a baseline of financial and operational reliability. The

¹⁰ 15 U.S.C. 78s(b)(2)(C).

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 17 CFR 240.17Ad-22(e)(2)(v) and (e)(3)(i).

¹³ 15 U.S.C. 78q-1(b)(3)(F).

Commission further believes that intra-day, daily, monthly, and periodic monitoring, as well as the use of the watch list, would help to ensure that ICC identifies counterparties at risk of financial or operational difficulty. Reviewing end-of-day changes to Initial Margin and Guaranty Fund requirements and monitoring overall aggregate exposure, through the Risk Filter Threshold and Investment Allocations, should similarly help ICC to measure its exposure to counterparties. Monitoring and measuring ICC's exposure to counterparties should in turn trigger mitigating actions also needed to help ICC to reduce or eliminate its exposure to a Clearing Member or FSP. Finally, the Commission believes that the CRS Policy, in describing the CRS and ICC's credit scoring models, would be an essential part of ICC's monitoring and mitigation of the risk arising from its exposures to Clearing Participants and FSPs.

The Commission believes that counterparty credit risk poses a risk to ICC's financial resources because default by a Clearing Participant could leave ICC under-collateralized and default by an FSP could cause ICC to lose its investments or expected return of cash. The Commission therefore believes that default by a Clearing Participant and default by an FSP could cause ICC to lose default resources and operational capital. The Commission believes that such losses could, in turn, threaten ICC's ability to operate and therefore clear and settle transactions and assure the safeguarding of securities and funds.

Thus, the Commission believes that effective management of ICC's counterparty credit risk could help ICC to control risks to the financial resources needed to clear and settle transactions and to assure the safeguarding of securities and funds in its custody or control. The Commission therefore believes that, by establishing the actions ICC would take to assess, monitor, and mitigate counterparty credit risk, the Procedures and CRS Policy would help ICC to manage counterparty credit risk and thereby would promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible.

Therefore, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.¹⁴

B. Consistency with Rule 17Ad-22(e)(2)(v)

Rule 17Ad-22(e)(2)(v) requires that ICC establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that specify clear and direct lines of responsibility.¹⁵ As discussed above, the Procedures would assign roles and responsibilities to various ICC groups and personnel. For example, the Risk Department would monitor all counterparties intra-day, daily, and monthly and would implement the CRS; the Operations Department would monitor the operational and settlement process performance of all counterparties; the Treasury Department would monitor money movements between Clearing Participants and ICC; and the CRO would be responsible for reviewing and validating the Risk Department's counterparty credit findings and recommendations and for determining if a counterparty should be added to, or removed from, the Watch List. The Commission believes that these provisions, as well as the other roles and responsibilities described above, would specify clear and direct lines of responsibility for ICC groups and personnel.

Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(2)(v).¹⁶

C. Consistency with Rule 17Ad-22(e)(3)(i)

Rule 17Ad-22(e)(3)(i) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational,

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹⁵ 17 CFR 240.17Ad-22(e)(2)(v).

¹⁶ 17 CFR 240.17Ad-22(e)(2)(v).

general business, investment, custody, and other risks that arise in or are borne by ICC, which, among other things, includes risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by ICC, that are subject to review on a specified periodic basis and approved by the board of directors annually.¹⁷

As discussed above, the Procedures and CRS Policy would describe how ICC evaluates and monitors risks posed by its counterparties, and how ICC mitigates such risks. The Commission believes that together these documents would allow ICC to measure comprehensively the credit risk posed by Clearing Participants and FSPs through, among other things, assessing the financial status of Clearing Participants and FSPs and determining ICC's aggregate exposure to Clearing Participants and FSPs. The Commission further believes that the CRS, watch list, periodic monitoring, and exposure limits would provide ICC a comprehensive means of monitoring the credit risk posed by Clearing Participants and FSPs. Finally, the Commission believes that the mitigating actions discussed above would reduce or eliminate ICC's exposure to a Clearing Participant or FSP, thereby helping ICC manage overall credit risk.

Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(3)(i).¹⁸

¹⁷ 17 CFR 240.17Ad-22(e)(3)(i).

¹⁸ 17 CFR 240.17Ad-22(e)(3)(i).

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act¹⁹ Rules 17Ad-22(e)(2)(v) and (e)(3)(i).²⁰

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act²¹ that the proposed rule change (SR-ICC-2021-021), be, and hereby is, approved.²²

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

J. Matthew DeLesDernier,

Assistant Secretary.

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¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ 17 CFR 240.17Ad-22(e)(2)(v) and (e)(3)(i).

²¹ 15 U.S.C. 78s(b)(2).

²² In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²³ 17 CFR 200.30-3(a)(12).